

Message Text

CONFIDENTIAL

PAGE 01 BRUSSE 12898 301626Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04
SIL-01 OMB-01 EA-10 IO-13 NEA-11 ICA-11 OPIC-03
SS-15 AGR-01 /119 W
-----111580 301645Z /44

P 301616Z JUN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC PRIORITY 7594
INFO ALL EC CAPITALS

C O N F I D E N T I A L BRUSSELS 12898

USEEC

PARIS ALSO FOR USOECD

E.O.11652:GDS
TAGS: EFIN, EEC
SUBJECT: EUROPEAN MONETARY ARRANGEMENTS: MONETARY
COMMITTEE SUMMARY OF FINANCE COUNCIL DISCUSSIONS

1. THE MISSION HAS OBTAINED ON A CONFIDENTIAL BASIS A
COPY OF THE EC MONETARY COMMITTEE'S SUMMARY OF THE JUNE 19
FINANCE COUNCIL DISCUSSION OF A NEW MORE STABLE EUROPEAN
EXCHANGE-RATE SYSTEM. THIS SUMMARY IS TO BE USED AS A
BASIS FOR FURTHER DISCUSSION AT THE JULY 6-7 EUROPEAN
COUNCIL.

2. THE SUMMARY WAS DRAFTED BY THE MONETARY COMMITTEE
SECRETARIAT WITH AMENDMENTS MADE IN CONSULTATION WITH
NATIONAL CAPITALS. (WE ARE TOLD THAT THE GERMAN AND
DUTCH IN PARTICULAR TONED DOWN OVER-EXUBERANT SECRETARIAT
LANGUAGE ON THE NEED FOR EXPANDED CREDIT FACILITIES.)
TEXT FOLLOWS (INFORMAL MISSION TRANSLATION):

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRUSSE 12898 301626Z

(1) THE COUNCIL HOPES FOR PROGRESS TOWARDS THE GREATEST
POSSIBLE EXCHANGE-RATE STABILITY EVEN BEFORE MEMBER STATES
HAVE ENTIRELY RESOLVED THE PROBLEM OF DIFFERENCES IN RATES
OF INFLATION AND BALANCES OF PAYMENTS. SUCH PROGRESS
COULD CONTRIBUTE TO THE CONVERGENCE OF ECONOMIC TRENDS AND
POLICIES OF MEMBER STATES IN THE DIRECTION OF MORE
SATISFACTORY GROWTH AND REDUCED INFLATION.

(2) NEVERTHELESS, A GREATER EXCHANGE STABILITY IN THE COMMUNITY COULD NOT BE DURABLE WITHOUT SUBSTANTIAL AND CONTINUED PROGRESS TOWARDS CONVERGENCE OF ECONOMIC CONDITIONS.

(3) A LARGE CONSENSUS HAS BEEN OBTAINED IN THE COUNCIL THAT THE EXCHANGE-RATE MECHANISM TO BE PUT IN PLACE BE FOUNDED ON THE FOLLOWING PRINCIPLES:

(A) THE SYSTEM MUST INCLUDE ALL CURRENCIES OF THE SNAKE AND ALL THOSE OF THE EEC (LOOKING FORWARD TO A TRANSITION PERIOD) AND COULD WELCOME OTHER EUROPEAN CURRENCIES.

(B) IT MUST INVOLVE AN EQUITABLE SYMMETRY BETWEEN THE RESPONSIBILITIES OF MEMBER STATES, MAKING WAY FOR CERTAIN FIXED OBJECTIVES, INCLUDING THOSE OF THE BALANCE OF PAYMENTS.

(C) THE SYSTEM MUST NOT HARM THIRD COUNTRY CURRENCIES.

(D) IT MUST PERMIT THE SNAKE TO BE MAINTAINED FOR THOSE PARTICIPATING IN IT.

(E) IT MUST INCLUDE OBLIGATIONS TO INTERVENE AND FIRM
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRUSSE 12898 301626Z

COMMITMENTS ON ECONOMIC POLICY.

(F) WHILE THE SYSTEM MUST AID THE REDUCTION OF DIVERGENCIES BETWEEN ECONOMIC CONDITIONS, IT MUST NOT IMPEDE THE EVOLUTION OF EXCHANGE-RATE CHANGES REFLECTING REAL DISPARITIES WHICH EXIST.

(G) AN EXCHANGE-RATE MECHANISM INVOLVING OBLIGATIONS TO INTERVENE WOULD REQUIRE AN APPROPRIATE ARRANGEMENT OF THE COMMUNITY VERY SHORT-TERM CREDIT AND SHORT-TERM MONETARY SUPPORT FACILITIES.

(4) THE COUNCIL IS CONVINCED THAT IF BALANCE OF PAYMENTS DIFFICULTIES LEADING TO RECOURSE TO SHORT-TERM CREDITS PERSIST, FOR WANT OF THE COMING OF GREATER CONVERGENCE DURING THE COURSE OF THE CREDIT, IT WOULD BE NECESSARY TO ARRANGE A MEANS OF CONSOLIDATING CREDITS, IN WHOLE OR IN PART, BY MEDIUM-TERM COMMUNITY FINANCING, IN A FASHION COVERING THE NECESSARY PERIOD TO OBTAIN SUFFICIENT ECONOMIC CONVERGENCE. TO THIS END, THE COMMUNITY MEDIUM-TERM CREDIT MECHANISMS OUGHT TO BE RE-EXAMINED.

(5) THE COUNCIL EXPRESSED INTEREST IN GIVING A MORE ACTIVE ROLE TO THE EUROPEAN MONETARY COOPERATION FUND IN THE CONTEXT OF PROGRESS TOWARDS EMU. IN THIS REGARD, THE SUGGESTION THAT THE EMCF ISSUE EUROPEAN UNITS OF ACCOUNT (EUA) TO SERVE AS MEANS OF SETTLEMENT AMONG MONETARY AUTHORITIES RECEIVED SUPPORT. THE CREDITS AND DEBTS RESULTING FROM THE OPERATIONS OF THE FUND COULD BE DENOMINATED IN EUA.

(6) THE COUNCIL IS OF THE OPINION THAT THE STABILITY OF COMMUNITY RELATIONS WOULD BE FACILITATED BY THE REALIZATION OF A GREATER STABILITY IN EXCHANGE RELATIONS WITH PRINCIPLE THIRD-COUNTRY CURRENCIES. HINTON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, RULES, CREDIT, COMMITTEES, REGIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE12898
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780271-0070
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978065/aaaaadqh.tel
Line Count: 128
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: dfba5087-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2317216
Secure: OPEN
Status: NATIVE
Subject: EUROPEAN MONETARY ARRANGEMENTS: MONETARY COMMITTEE SUMMARY OF FINANCE COUNCIL DISCUSSIONS
TAGS: EFIN, EEC
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/dfba5087-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014